

# The Effect of Independence and Integrity on Audit Quality: Is There A Moderating Role for E-Audit?

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## ABSTRACT

The financial statements must be reliable and become a benchmark in considering an audit decision on the financial statements. In order for this to be achieved, independence and integrity is required in carrying out the audit process. E-Audit helps overcome challenges in the industrial revolution 4.0 and prevent fraud. This research aims of testing and analyzing the role of e-audit in moderating the impact of auditor independence and integrity on audit quality. The data was collected through a questionnaire distributed to auditors at Public Accounting Firms in Surabaya. There are 36 respondents involved. The data were analyzed using SmartPLS. The results showed that auditor independence positively effect audit quality, auditor integrity positively effect audit quality; e-audit does non moderate the effect of auditor independence on audit quality; and e-Audit negatively moderates the effect of auditor integrity on audit quality. The practical implication of this research is that when determining high audit quality, independent auditors should at least increase their independence and integrity so that the resulting audit reports are of high quality and can be a reference for decision makers.

## ABSTRAK

Laporan keuangan harus dapat dipercaya dan menjadi patokan dalam mempertimbangkan suatu keputusan audit atas laporan keuangan. Dibutuhkan independensi dan integritas dalam melakukan proses audit tersebut supaya hal tersebut tercapai. E-Audit membantu mengatasi tantangan di revolusi industri 4.0 dan mencegah kecurangan. Penelitian ini bertujuan untuk menguji dan menganalisis peran e-audit dalam memoderasi pengaruh independensi dan integritas auditor terhadap kualitas audit. Pengumpulan data dilakukan melalui kuesioner yang dibagikan kepada auditor pada Kantor Akuntan Publik di Surabaya. Ada 36 responden yang terlibat. Data dianalisis menggunakan SmartPLS. Hasil penelitian menunjukkan bahwa independensi auditor berpengaruh positif terhadap kualitas audit, integritas auditor berpengaruh positif terhadap kualitas audit; e-audit tidak memoderasi pengaruh independensi auditor terhadap kualitas audit, dan e-Audit secara negatif memoderasi pengaruh integritas auditor terhadap kualitas audit. Implikasi praktis penelitian ini bahwa saat menentukan Kualitas Audit yang tinggi, auditor independen hendaknya minimal meningkatkan Independensi dan Integritas yang dimilikinya supaya laporan audit yang dihasilkan berkualitas dan dapat menjadi acuan pengambil keputusan.

## 1. INTRODUCTION

Many companies try to look good in terms of their financial statement. They are competing to display their good financial statements to attract other parties to invest. The function of financial statement for the company – as an internal party – is making a decision in accordance with the circumstances and facts expressed in the financial statements. For external parties, financial statements are one of the benchmarks when providing comparisons between

companies (Aziz, 2018). This is due to the fact that a financial statement can describe a company's financial situation, and it causes each company to look good when being compared to other companies (Budiman, Yusraini & Relasari, 2019).

Financial statement must be trustworthy and attractive to external parties. For that reason, an audit is necessary for assessing the fairness of the financial statements presented. A way of assessing the reasonableness of the contents of a company's

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financial statements can be done by conducting an audit process on these financial statements (Kusuma & Prabowo, 2019). Therefore, the company's management relies on independent auditors to carry out the audit process of financial statements so that the financial statements owned by the company are trusted by the public (Suardinatha & Wirakusuma, 2016). Such high expectation and beliefs lead auditors to pay attention to their audit quality (Siahaan & Simanjuntak, 2019). The quality of the audit is crucial because of expectations; with high audit quality it will produce a reliable financial report as a benchmark when taking a consideration (Aziz, 2018). In addition, with a high quality audit quality, investors also do not hesitate to invest in the company.

Obtaining the material misstatements in the company's financial statements depends on the auditor's ability, while the desire to convey the findings of these misstatements depends on the auditor's independence (Ariningsih & Mertha, 2017). Independence itself is the freedom of an auditor from intervention or pressure from anyone so that the resulting audit quality is in accordance with the actual conditions of the company. Integrity is a dignity that is the basis for public trust and becomes a benchmark when examining all considerations and requires an auditor to have a courageous, transparent, responsible, discretionary and straightforward attitude in carrying out the audit process (Nurjanah & Kartika, 2016). Both of these attitudes are required by the auditors in order to produce high audit quality and in accordance with the conditions in the field.

Based on the study by Siahaan and Simanjuntak (2019), they show that the nature of the auditor's integrity when conducting the audit process has a positive and insignificant effect on the quality of the audit and the nature of professionalism in the auditor when carrying out the audit process has no significant effect on the quality of the audit. Yet, a study by Fahdi (2018) states that the auditor's attitude of independence does not have a significant effect on audit quality. Suardinatha and Wirakusuma (2016) agree that professionalism does not have a significant effect on audit quality. In fact, several studies have shown that independence and professionalism have an effect on audit quality. As in research by Siahaan dan Simanjuntak (2019), independence and integrity have an effect on audit quality. If at least one of these two factors is not met, the audit quality produced by the auditor may not be good.

Recently, the quality of audits the independent auditors has produced is under the spotlight by the public following many cases involving independent auditors. There are several big cases that dragged well-known public accounting firms. First, Ayuningtyas (2019), through CNBC Indonesia, reported that the Financial Services Authority (OJK) decided to impose sanctions on Sherly Jakom from Public Accountant Office (KAP) Purwanto, Sungkoro and Surja that are the centers of the KAPs located in Surabaya. These s KAPs have proved to have violated the capital market law and the code of ethics for the public accountant profession. Thus, Sherly's Certificate of Registration (STTD) was frozen for 12 months. This is due to an overstatement of income of Rp. 613 billion for the 2016 annual financial report (LKT) at PT Hanson International Tbk (MYRX). ([www.cnbcindonesia.com](http://www.cnbcindonesia.com)). Second, as reported from the same website, the Ministry of Finance through the Financial Professional Development Center (P2PK) also imposed a license suspension sanction for 12 months against Public Accountants (AP) Kasner Sirumpea and KAP Tanubrata, Sutanto, Fahmi, Bambang and Partners for LKT 2018 from PT. Garuda Indonesia Tbk (GIAA). Third, the OJK officially provides administrative sanctions in the form of cancellation of registration to Public Accountant (AP) Marlinna, Public Accountant (AP) Merliyana Syamsul and Public Accountant Firm (KAP) Satrio, Bing, Eny and Rekan which is one of the KAP under Deloitte Indonesia which has branch in Surabaya. ([www.cnbcindonesia.com](http://www.cnbcindonesia.com)). Apart from the three cases above, there were a number of Public Accountants whose licenses were suspended by the Ministry of Finance through the Financial Professional Development Center (P2PK) which took effect from 2019 as many as 11 Public Accountants and 2 which came into effect in 2020 (accessed from <http://pppk.kemenkeu.go.id/in/sanksi> on 07/02/20). All of these Public Accountants have types of violations in the form of violations of professional standards.

In the industrious revolution era, some sectors compete to each other and they don't want to be left behind and lose in the existing technology. In facing this condition, some KAPs use a computer-based audit technique called electronic auditing (E-Audit). This E-Audit can increase the effectiveness and efficiency of the audit process duration, funds and resources and make it easier to access all types of computerized files and carry out the overall operation so that it is expected to prevent corruption beforehand (Asniarti & Muda, 2019). This

computerized file can be used by locking and unlocking by the authorized person who owns the code, thus minimizing the possibility of the data being leaked to be corrupted. In addition, the file is also easy to process and store for auditors. With considerable benefits, E-Audit in its application has obstacles. The existence of a basis for using E-Audit using technology makes auditors sometimes have difficulty in using it. Due to the lack of background auditors who specialize in information technology (Sukarso, Rokhman, & Rosyadi, 2015). Therefore, the e-audit can be a supporting factor so that the auditor's independence is maintained because it reduces face-to-face communication that can lead to fraud.

Based on the background above, this study formulates the problems as the following: (1) Is there an effect of auditor independence on the quality of the audit; (2) Is there an effect of auditor integrity on Audit Quality; (3) Is there an effect of auditor independence on Audit Quality as moderated by E-Audit; (4) Is there an effect of auditor integrity on Audit Quality which is moderated by E-Audit.

It is clearly noted that this study has the objectives of (1) testing and analyzing the effect of auditor independence on audit quality; (2) Testing and analyzing the effect of auditor integrity on Audit Quality; (3) Testing and analyzing the influence of auditor dependency on Audit Quality as moderated by E-Audit; (4) Testing and analyzing the impact of auditor integrity on Audit Quality as moderated by E-Audit.

The results of this study is to provide meaning as a means of advice or input for KAP to evaluate the performance and competence of auditors in implementing Independence and Integrity, as well as a means of evaluating the E-Audit system that has been running along with the quality of human resources who run the E-system so that it can improve Audit Quality.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Audit Quality**

According to Siahaan and Simanjuntak (2019), audit quality is the possibility of the auditor finding violations in the accounting system and recording it in the financial statements presented by management. In connection with this audit quality, Pradipta and Budiarta (2016) defines that Audit Quality is the possibility when the auditor finds and reports violations found in the client's accounting system. It can be said that Audit Quality is the reliability and credibility of the information found

by the auditor as well as the possibility when the auditor finds violations committed by the client in the financial statements in accordance with the auditing standards that apply to the audit process.

### **Agency Theory**

Agency theory was originally proposed by Jensen and Meckling (1976) which is the basic theory in accounting that examines the relationship between principals as shareholders and agents as company managers. In this study, shareholders act as principals, company management is acting as agents. The company management is oriented to the highest profit. However, shareholders are more oriented towards financial statements in accordance with their actual business continuity. In order to avoid agency conflicts, it is necessary to have an auditor as an independent, integrity and professional third party to show that the financial statements produced by management are not misstated and prevent corruption so as to avoid conflict between management and shareholders. Problems in this study arise when auditors and company management have bad intentions by manipulating the audit report so that it will harm shareholders and public (Budisusetyo, 2018).

### **Independence**

Independence, as referred to the 2020 Public Accountant Professional Code of Ethics, has the meaning of stating a conclusion without being affected by pressures that can compromise professional judgment. Thus, it enables individuals to act with integrity and apply their professional objectivity and skepticism. Beside that, independence means observing with an objective perspective when carrying out the flow of the audit process (Alvin, Elder, & Beasley, 2015:74) and reveal if there are odd reports (Januraga & Budiarta, 2015). Independence is a very important attitude for the auditors so that they do not take sides so as not to harm any parties. Auditor independence is crucial to be maintained, because if there are parties who have an interest are not sure about the audit results from the auditors so that the client or the company will no longer return to the auditor in the future (Muhayoca & Ariani, 2017).

### **Integrity**

Integrity according to the 2020 Public Accountant Professional Code of Ethics is a way of being straightforward and honest in all professional and business relationships. Integrity is aligning conditions in the field with words which mean that

integrity has an active character, while honesty has a passive character (Cahyono, Wijaya & Domai, 2015). Integrity is measured in the most right and fair conditions. If the auditor faces different thoughts, the auditor is required to think that the judgment he has made is aligned with his or her integrity (Siahaan & Simanjuntak, 2019). Integrity is a characteristic that must be possessed by an auditor by being honest, correct, firm, independent and fair so that the results of the audit can be trusted by parties requiring the results of the audit.

### **E-Audit**

As stated by Dewi and Badera (2015), e-audit is a technique that helps examiners achieve examination objectives and, in more detail, E-Audit refers to a special examination procedure to test two components of information technology. First, the data is grouped into file interrogation software and file audit review control system (SCARF). Second, programs are grouped into program review, code comparison and parallel simulation

### **The Effect of Independence on Audit Quality**

Independence is very important because independence can protect the ability of auditors to form opinions, so that they can be neutral in carrying out the audit process (Haeridistia & Agustin, 2019). Therefore, a high quality audit quality will result in a high level of independence as well. Previous research has shown that auditor independence has a positive effect on audit quality (Kusuma & Prabowo, 2019; Rahmina & Agoes, 2014). This means that the independent attitude of an auditor has a positive effect on the quality of the audit. In other words, the audit report assessment by an independent auditor cannot be intervened by other parties and is commensurate with the condition found in the field. It can be hypothesized as follows:

**H<sub>1</sub>** : Auditor's independence affects positively in shaping the audit quality

### **The Effect of Integrity on Audit Quality**

Integrity can encourage auditors to be transparent and honest. They will neither expose client secrets nor sacrifice public expectations for private gain. In addition, integrity can also tolerate unintentional mistakes but not cheating. Thus, they can provide high audit quality with their high integrity attitude (Marwa, Wahyudi, & Kertarajasa, 2019). Empirical evidence shows that the integrity of an auditor has a

significant positive effect on the quality of the audit produced by auditors (Marwa et al., 2019; Sitorus, Hendratono, & Fransisca, 2020; Suharti & Rasuli, 2017; Zahmatkesh & Rezazadeh, 2017). Therefore, a high attitude of auditor integrity can produce high quality audits. This means that if the auditor has high integrity, the better the quality of the audit produced by the auditor.

**H<sub>2</sub>** : Auditor's integrity affects positively in shaping audit result quality.

### **The effect of Independence on audit quality with e-audit as moderating**

E-Audit is an audit process that is digitally carrying out the audit function and it summarizes the audit process (Muhayoca & Ariani, 2017). A study by Dewi & Badera (2015) stated that e-audit has a significant and positive effect on audit quality. In e-audit, auditors do not need to meet face to face with clients too much because with the audit process can be summarized, as a result, they can maintain their independence with high audit quality. When independence increases as it is moderated by E-Audit can improve the audit quality. Therefore, the hypothesis can be stated as follows:

**H<sub>3</sub>** : E-audit moderates auditor's independence to have a positive effect in shaping the quality of audit results.

### **The Effect of Integrity on Audit Quality with E-Audit as Moderating Variable**

E-Audit is the application of a process on computer and information technology devices in performing an audit function with the aim of summarizing the audit process. The application of E-Audit is in the form of expertise that is needed, especially in an audit environment where there is application of computerized information (Muhayoca & Ariani, 2017). Januraga & Budiarta (2015) said that the application of E-Audit has a positive and significant effect on Audit Quality. Furthermore, through E-Audit, auditor integrity can also be supported by the honesty, truthfulness and fairness of an auditor because of the simplification of the audit process without reducing the audit process.

**H<sub>4</sub>** : E-Audit moderates auditor integrity has a positive effect in shaping the quality of audit results

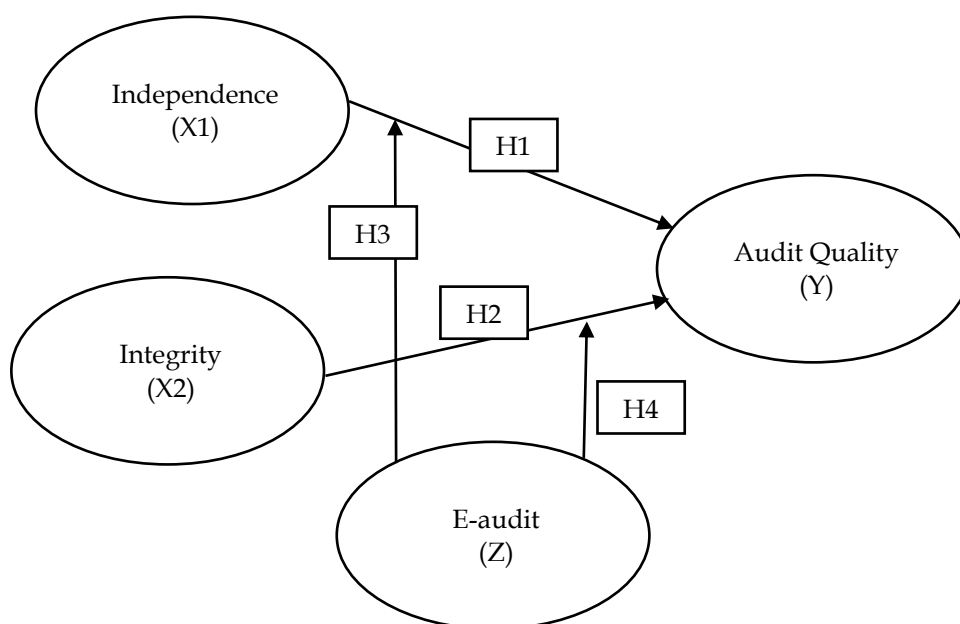


Figure 1. Research Framework

### 3. RESEARCH METHOD

This study uses quantitative research method. According to Sugiyono (2018:14), this method is used for research with a specific population or sample. The data were collected using research instruments, quantitative or statistical data analysis for testing the previously stated hypothesis, in which the sampling technique is carried out randomly.

#### Variables and Measurement

The dependent variable of audit quality (Y) is measured using two dimensions (Siahaan & Simanjuntak, 2019). First, the conformity of the examination with the audit standards is to replicate the indicator which consists of twelve question items. Its scope consists of reports of all client errors, understanding client information systems first, before carrying out audit procedures, understanding client information systems, having a strong commitment to completing the audit, committed to providing quality audit reports, making SPAP a guideline. In addition, the scope is also related to audits in accordance with general auditing standards, high ethical standards to know accounting and auditing, carrying out field work in accordance with auditing field work standards, not easily trusting client statements during the audit, paying attention to auditing standards apply in general, and comply with the applicable code of conduct. Second, the quality of the audit results replicates an indicator consisting of five question items which includes looking for evidence relevant

to the client's statement, being careful in making decisions during the audit, comparing the audit results achieved with predetermined standard results, loading the findings and conclusions of audit results objectively., and make reports accurately, completely and in a timely manner so that the information provided is maximally useful. The variable of audit's independence (X1) is measured using three dimensions (Marwa et al., 2019). First, the independence of the audit program (programming independence) replicates the indicator consisting of two statement items, namely free from pressure or client intervention to eliminate or modify anything in the audit and free from any intervention or from uncooperative attitudes regarding application of the selected audit procedure. Second. investigative independence replicate the indicator consisting of four statement items, namely direct access to all books on client activities, clients can actively cooperate in the examination process, free from client efforts to assign activities to be examined, and free from personal interests or relationships, which will eliminate or limit the examination. Third, reporting independence to replicate the indicator consisting of four question items, namely free from other parties' interests to modify the effect of reported facts, avoiding the practice of removing important matters from formal reports in any form, avoiding the use of unclear language, and free from attempts to veto the auditor's judgment regarding what should be included in the audit report

The Dependent variable of Integrity (X2) is measured using four dimensions (Ningrum & Wedari, 2017). First, honesty replicates the indicator which consists of three statement items: namely obeying the rules, both supervised and unsupervised, working according to actual conditions, and not accepting everything in any form. Second, the courage to replicate the indicator which consists of three statement items: namely, being unable to be intimidated and not submitting due to pressure from others, expressing things that according to their considerations and beliefs need to be done, and having great self-confidence. Third, a prudent attitude to replicate the indicator which consists of three statement items: always weigh the problem and its consequences carefully, do not care for one's own interests or the interests of a group of people or organizations, and do not consider circumstances to justify acts of violating provisions or laws and regulations. Fourth, the responsibility of the auditor to replicate the indicator consisting of five statement items: not avoiding or blaming other people who can cause harm to others, having a sense of responsibility if the results of the examination still require improvement and refinement, motivating themselves by showing consistent enthusiasm to always work, behave and behave according to norms, and always adhere to the prevailing rules or regulations

The moderating variable of e-audit (Z) is measured using four dimensions (Rufaedah, 2017). First, the quality of information replicates an indicator consisting of eight statement items, which includes quality information provided, freely accessible to staff and provided in full, information provided is accurate, reliable and objective, information is reliable and verified, information is accessible and secure, the information provided is interrelated and of quality, the information provided is timely and complete, the information provided is understandable by users, the information provided is consistent and concise, the IT infrastructure replicates the indicator consisting of five question items, hardware and software in the office it is very well available and complete, the database and network are very well available and complete, the system can accommodate if there is an increase in data, data storage has been complicated so that it is quite safe, and the system is integrated and can be re-implemented. Second, the auditor's mastery of the indicator replication system consisting of five statement items, which includes the office often conducting training on the system every two months, understanding the workings of

the system, understanding the concepts that exist in the system, being able to control the system if there is an error and can fix it, and utilize the system maximally. Third, the standard operating procedure replicates the indicator consisting of two statement items, which includes understanding and executing audit software application controls in accordance with existing procedures and understanding and executing test data application controls in accordance with existing procedures.

For the variable analysis, the researchers used Likert scale in which score 5: strongly agree, 4: Agree, 3: Neutral, 2, disagree, and 1 strongly disagree.

### Population and Sample

The population consists of all auditors who work at the Public Accounting Firm (KAP) in Surabaya, listed in the 2019 Directory, owned by the Indonesian Institute of Certified Public Accountants. There are 46 KAPs in Surabaya. They are the auditors who work at KAP in Surabaya which are listed in the 2019 Directory of the Indonesian Institute of Certified Public Accountants, with a minimum service period of 2 years. There were 103 auditors listed in the 2019 Directory who are partners. This study took partner auditors as the research sample because they certainly have a minimum work period of 2 years. The reason is that with a minimum service period of 2 years, auditors already know and learn about how to produce audit quality (Pawitra & Suhartini, 2019).

### Analysis Technic

The researchers analyzed the data using PLS (Partial Least Square) with the SmartPLS 3.0 program which is considered a full power analysis method, because it is not based on many assumptions (Ghozali, 2014: 30). Testing the outer model includes (a) Convergent Validity: in this test, the value of convergent validity is the value of the loading factor on the latent variable with its indicators: the expected value  $> 0.4$ , (b) Discriminant Validity: in this test, this value is the value of the cross loading factor which is useful to find out whether the construct has sufficient discriminant by comparing the loading value of the intended construct, (c) Average Variance Extracted (AVE): Value Expected  $AVE > 0.5$ , (d) Reliability as seen based on Composite Reliability and Cronbach Alpha. If the data has composite reliability  $> 0.7$ , it means that it has high-reliability. In this case, the Cronbach Alpha value is expected to be  $> 0.7$ , for all constructs.

Testing of the Inner Model is done by looking at the R-Square value which is a goodness – fit model test. The second test is to see the significance by looking at the value of the parameter coefficient and the t statistical significance value on the Algorithm Bootstrapping report-Path Coefficients. The t-statistic value is greater than the t-table and its significance (t-table 10 percent significance = 1.64).

Hypothesis testing was carried out using the

resampling bootstrapping method. The test statistic used is the t-Statistics or Path Coefficient Test. Hypothesis testing in this study was carried out by looking at the value of t-Statistics and P-Values, on the basis of the decision making is if the t-Statistic value is more than t-Table with a P-Values value less than 0.10 ( $P < 0.10$ ) then the hypothesis is accepted. The model obtained from this stage is shown in Figure 2.

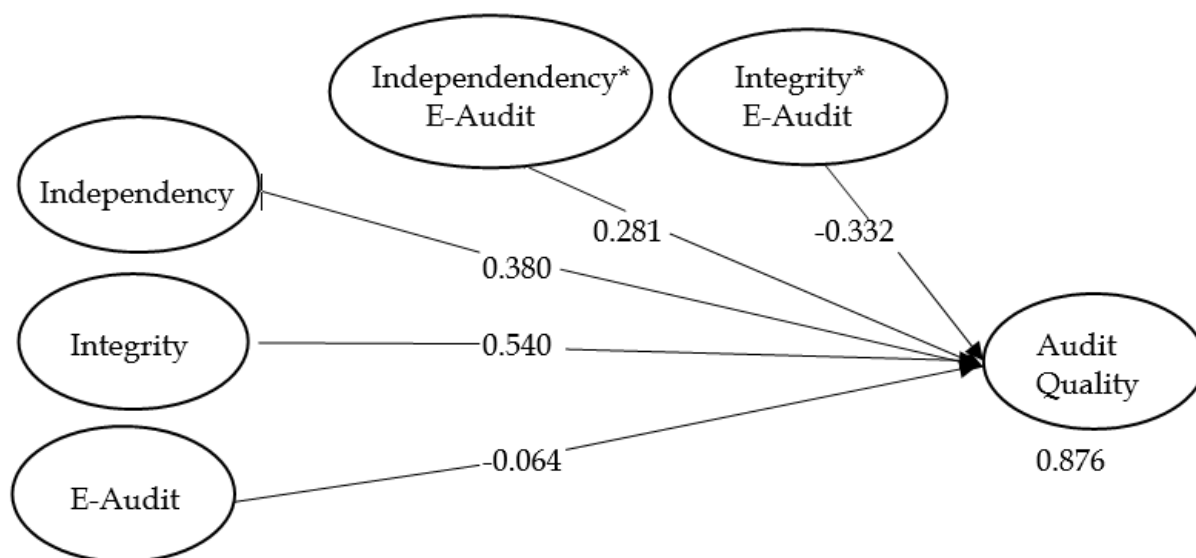


Figure 2. Audit Quality Model

#### 4. DATA ANALYSIS AND DISCUSSION

The sample of this study consists of 36 respondents who have worked as auditors in all Surabaya Public Accounting Firms (KAP) which are listed in the 2019 Directory of the Indonesian Institute of Certified Public Accountants. Of the total number of questionnaires distributed as many as 148 questionnaires, there were 112 questionnaires (76 percent) that did not respond to and 36 questionnaires (24 percent) gave a response. From the questionnaires returned, all questionnaires can be processed. In taking the questionnaire, this study used a simple random sampling method. They could answer the questionnaire according to the instructions that had been given. The general description of the sample respondents can be seen in Table 1.

Of the 36 respondents obtained, the composition of respondents was based on age,

namely 10 people or about 28 percent aged 25-35 years, 12 people or about 33 percent aged 36-45 years, while aged > 45 there were 14 people or about 39 percent. The results can be seen in Table 1, the number of respondents is dominated by those that were aged > 45, which is middle age. The composition of respondents based on gender, namely 24 people or 67 percent male and the remaining 12 people or 33 percent female. The highest number of respondents was male as much as 67 percent. The composition of respondents was based on the latest education, namely 23 people or about 64 percent with the latest Bachelor's education, 8 people or about 22 percent with the latest postgraduate education and the remaining 5 people or 14 percent have the latest Doctoral education. Thus, the number of respondents is dominated by those with a bachelor's degree.

Table 1. Demographic Characteristics

Demographic Factors	Frequency	Percentage
Age		
25-35 years	10	28
36-45 years	12	33
>45 years	14	39
Total	36	100
Gender		
Male	24	67
Female	12	33
Total	36	100
Education		
S1 (undergraduate/ bachelor	23	64
S2 (Master)	8	22
S3 (Doctor)	5	14
Total	36	100
Position		
Partner	36	100
Total	36	100
Work Experience		
≥ 2 years	0	
3-5 years	8	22
6-7 years	3	8
>7 years	25	69
Total	36	100

The positions of respondents were divided into one category, namely Partners, which amounted to 36 people or 100 percent. Therefore, it can be concluded that the respondent in this study is a Public Accountant who has the title of Partner. The composition of respondents based on work experience is 8 people or around 22 percent. They have work experience for 3-5 years, 3 people or about 8% have work experience for 6-7 years, and 25 people or about 69 percent have work experience for > 7 years. The result in Table 1 shows that the number of respondents is dominated by those who already have work experience for more than 7 years.

#### Research Instrument

The results of the validity test, based on the complete loading factor, are presented in the Appendix 1. All indicators have a loading factor > 0.60 with a significance level of <0.05. Therefore, all indicators of

this research variable are valid. The audit quality indicator with the highest loading factor of 0.954 is KA1.12. This means that compliance with the applicable code of conduct is the most important factor in determining audit quality. For the independence variable, the indicator with the highest loading factor of 0.909 is IP3.1. This means that it is free from the interests of other parties to modify the effect of reported facts which is the most important factor in determining auditor independence. Furthermore, the indicator of integrity with the highest loading factor of 0.885 is IN2.2. This means that stating things that according to his judgment and belief need to be done is the most important factor in determining the integrity of the auditor. Finally, the e-audit indicator with the highest loading factor of 0.883 is EA3.2. This means that understanding the workings of the system is the most important factor in determining e-audit.



Table 2 presents the test results of research instruments for validity based on AVE, reliability based on composite reliability, and Cronbach alpha, as well as the coefficient of determination of the model. All variables have AVE > 0.50. This evidence supports that all indicators of latent variables used in this study are valid. Furthermore, all latent variables consisting of audit quality, independence, integrity,

and e-audit have Composite Reliability and Cronbachs Alpha values above 0.6 which means that all constructs in this study are reliable. Finally, this model has a coefficient of determination (R-square) of 0.875, which means that the variables studied together are able to reveal 87.6 percent of the variation in audit quality. This 87.6 percent coefficient figure shows that the model is very good.

Table 2. The Research Instrument Testing

	AVE	Composite Reliability	Cronbachs Alpha	R-Square
Audit Quality	0.645	0.968	0.963	0.876
Independence	0.662	0.950	0.940	
Integrity	0.510	0.932	0.918	
E-Audit	0.621	0.969	0.965	
Independence * E-Audit)	1.000	1.000	1.000	
Integrity * E-Audit)	1.000	1.000	1.000	

Source: SmartPLS 3.0 Output

Furthermore, the hypothesis is tested. The limitation in accepting or rejecting the proposed hypothesis is when the t-Statistics > 1.64 for P-Values < 0.10. Table 3 provides the estimated output for

structural model testing. Detailed discussion of the impact of audit quality is carried out in the following section.

Table 3. Results of Hypothesis Testing

Hypotheses	Effect	Coefficient	T-Statistics	P- Values	Results
H1	Independence -> Audit Quality	0.380	2.407	0.016	Accepted
H2	Integrity -> Audit Quality	0.540	3.280	0.001	Accepted
H3	Independence*E-audit -> Audit Quality	0.281	1.571	0.129	Rejected
H4	Integrity*E-audit -> Audit Quality	-0.332	1.849	0.064	Rejected

Source: SmartPLS 3.0 Output

### The Effect of Independence on Audit Quality

Table 3 provides the results proving that Hypothesis 1 is accepted. It means that the higher the auditor independence, the better the audit quality. With independence, it can allow an auditor's freedom to increase in reporting fraud found in a client's accounting system and client's financial statements. The existence of this possibility can also result in high audit quality. In this way, the audit report will reflect the actual conditions that exist within the company. In realizing audit quality being free from any intervention, an independent attitude from an auditor is needed so that agency conflicts can be prevented. The result of this study is in line with the research of Haeridistia & Agustin (2019) which states that the independence of an auditor on audit quality has a significant positive effect.

### The Effect of Integrity on Audit Quality

The test results prove that the second hypothesis is accepted. It means that the higher the auditor has the honesty, the better the audit quality. It also indicates that the audit quality is very much dependent on the auditor's integrity. Auditors with high integrity will be firm and honest when taking into account facts in carrying out the audit process. Therefore, the auditor will disclose and report the company real environment. Finally, the result of the report can be used as a means of making appropriate judgments. Through his being honest and responsible, an auditor will gain the trust of the public. Finally, agency conflicts can be prevented. The results of this study are in line with the research Suharti et al. (2017) suggesting that the integrity of an auditor has a positive impact on audit quality.

### **The Effect of Independence on Audit Quality with E-Audit as the Moderator**

The results of the analysis statistically reject Hypothesis 3. Thus, e-audit is not able to strengthen the effect of auditor independence on audit quality. This indicates that e-audit is not a complement to auditor independence. The results of this study are different from those of Dewi & Badera (2015) that stated that E-Audit has a positive and significant effect on Audit Quality.

The insignificant role of e-audit moderation can be caused by several factors. First, the sample size in this study is considered small enough to give the effect of adding a moderating variable in this study. Second, most of the respondents in the study came from small-scale accounting firms where e-audit is a relatively new audit tool and has not been implemented for a long time. The auditors still face technical problems or are not very proficient in using the e-audit application so that this does not have a significant impact on improving audit quality.

### **The effect of Integrity on Audit Quality with E-Audit as the Moderator**

The results of statistical analysis show that Hypothesis 4 is rejected. Based on this evidence, integrity has an insignificant effect on Audit Quality as moderated by E-Audit. Based on the results of this study, it can also be concluded that the auditor's integrity or honesty and ability can be partially replaced by technology. In strengthening the integrity of an auditor, while producing a good audit report, e-audit does not really strengthen the honesty, courage, wisdom, responsibility and ability of auditors.

Integrity itself is the auditor's ability or instinct to be brave, transparent, responsible, wise and honest. Therefore, integrity cannot be helped by a technology-based audit system or technique, except for the auditor's own instincts. This result is different from Januraga & Budiarta (2015)'s research which states that E-Audit has a positive and significant impact on Audit Quality. On the other hand, Table 2 shows that the coefficient of the moderation variable is -0.332 with a significance level of 0.064. This implies that e-audit is a substitute for auditor integrity. Public accounting firms can implement e-audits as a partial replacement for the integrity of audiences. E-audit as a technology-assisted audit system will not be exposed to conflicts of interest so that it can be more honest and fair in disclosing audit findings. The result is that the audit results are more reflective of the actual conditions.

## **5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

This study provides evidence that the auditor's independence and integrity have a significant and positive effect in determining the audit quality they produce. However, e-audit could not prove significantly for contributing the effect of auditor's independence on high audit quality. It even weakens the effect of integrity on audit quality. This indicates that e-audit is a partial substitution of auditor integrity in producing quality audits.

Based on the evidence above, this study implies that public accounting offices need to improve their auditors' dependency and integrity so that they can produce their financial reports with high quality. It can also serve as a useful reference for decision-makers for management, creditors, and those who use the audit report. Increasing independence and integrity can be carried out through various activities such as training and seminars as well as discussions and experiences between auditors. The public accounting office also needs to improve the skills of auditors in applying e-audit so that they can strengthen the role of auditor independence more in producing high-quality audits.

This study has several limitations. First, the number of respondents was relatively small due to the Covid-19 pandemic so that respondents who were willing to accept questionnaires were very limited. Second, many offices were closed due to the PSBB period and several offices were full of receiving the questionnaires so that the research results could not be generalized. Third, the lack of supervision in filling out the questionnaire because it was distributed to auditors by entrusting it and filling it out online. This allows respondents who are not supposed to fill out the questionnaire to participate in filling out the questionnaire so that it will produce data that is less valid and not in accordance with the research needs.

Finally, this study suggests that for further study, it would be better to increase the research sample to make the finding more generalizable. Further research is also suggested to collect data not only by using a questionnaire but also by asking for information directly from the respondents by interviews. They can combine it with direct surveys so that the data is more valid and in accordance with the research needs.

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# **Appendix 1: Loading factor**

Indicators	Statements	<i>Loading Factor</i>	P Values
EA1.2 <- E-Audit	The information provided is accurate, reliable, and objective	0.844	0.000
EA1.3 <- E-Audit	The information is trustworthy and verified	0.829	0.000
EA1.4 <- E-Audit	Information is accessible and safe	0.825	0.000
EA1.5 <- E-Audit	The information provided is interrelated and qualified	0.797	0.000
EA1.6 <- E-Audit	The information provided is accurate and complete	0.769	0.000
EA1.7 <- E-Audit	The information provided is understandable by the users	0.792	0.000
EA1.8 <- E-Audit	The information provided is consistent and brief	0.851	0.000
EA2.1 <- E-Audit	Hardware and software in the office are very complete and good	0.843	0.000
EA2.2 <- E-Audit	The data base and internet in the office are very good and complete	0.812	0.000
EA2.3 <- E-Audit	The system can accommodate if there is an increase in data	0.805	0.000
EA2.4 <- E-Audit	Data storage has been made complicated so that it is quite safe	0.814	0.000
EA2.5 <- E-Audit	The inter-system is integrated and can be reimplemented	0.839	0.000
EA3.2 <- E-Audit	Understand how the system works	0.883	0.000
EA3.3 <- E-Audit	Understand the concepts that exist in the system	0.854	0.000
EA3.4 <- E-Audit	Can control the system if there is an error and can fix it	0.809	0.000
EA3.5 <- E-Audit	Benefit the system the most	0.844	0.000
EA4.1 <- E-Audit	Understand and carry out audit software application controls in accordance with existing procedures	0.829	0.000
EA4.2 <- E-Audit	Understand and can run test data application controls in accordance with existing procedures	0.800	0.000
IN1.1 <- Integrity	Obey the rules whether supervised or not supervised.	0.712	0.000
IN1.2 <- Integrity	Work according to actual conditions, not adding or subtracting facts.	0.824	0.000
IN1.3 <- Integrity	Do not accept anything in any form that is not right.	0.724	0.000
IN2.1 <- Integrity	Cannot be intimidated by others and not submit due to pressure exerted by others	0.782	0.000
IN2.2 <- Integrity	Expressing things that according to their considerations and beliefs need to be done.	0.885	0.000
IN2.3 <- Integrity	Having great self-confidence in facing various difficulties.	0.736	0.000
IN3.1 <- Integrity	Always consider the problem and its consequences carefully.	0.656	0.000
IN3.2 <- Integrity	Not concerned with one's own interests or the interests of a group of people or organizations.	0.699	0.000

Indicators	Statements	Loading Factor	P Values
IN4.2 <- Integrity	Having a sense of responsibility if the results of the examination still require improvement and refinement.	0.814	0.000
IN4.3 <- Integrity	Motivating themselves by showing a consistent enthusiasm to always work.	0.834	0.000
IN4.4 <- Integrity	Behaving and acting in accordance with applicable norms.	0.774	0.000
IN4.5 <- Integrity	Always stick to the prevailing rules or regulations while still considering the recommendations so that they can be implemented.	0.675	0.000
IP1.1 <- Independence	Free from pressure or client intervention to eliminate or modify anything in the audit	0.885	0.000
IP1.2 <- Independence	Free from any intervention or from non-cooperation with respect to the application of the selected audit procedure	0.894	0.000
IP2.1 <- Independence	Direct access to all books on client activities	0.669	0.000
IP2.2 <- Independence	The client can actively cooperate in the inspection process.	0.619	0.006
IP2.3 <- Independence	Free from the client's attempts to assign activities to be checked	0.800	0.000
IP2.4 <- Independence	Free from personal interests or relationships that would eliminate or limit investigations	0.858	0.000
IP3.1 <- Independence	Free from the interest of other parties to modify the effect of the facts reported	0.909	0.000
IP3.2 <- Independence	Avoiding the practice of removing important matters from the formal report of any kind	0.800	0.000
IP3.3 <- Independence	Avoid using language that is not clear (vague, vague), whether intentional or not in the statement of fact	0.889	0.000
IP3.4 <- Independence	Free from attempts to veto the auditor's judgment regarding what should be included in the audit report, both factual and opinion	0.827	0.000
KA1.1 <- Audit Quality	Report all client errors	0.660	0.005
KA1.2 <- Audit Quality	Understand the client's information system first, before performing audit procedures	0.876	0.000
KA1.3 <- Audit Quality	Understanding of client information systems	0.816	0.000
KA1.4 <- Audit Quality	Having a strong commitment to complete the audit Have a strong commitment to complete the audit	0.851	0.000
KA1.5 <- Audit Quality	Committed to providing quality audit reports	0.863	0.000
KA1.6 <- Audit Quality	Making SPAP as a guideline	0.658	0.001
KA1.7 <- Audit Quality	Always carry out examinations in accordance with general auditing standards.	0.826	0.000
KA1.8 <- Audit Quality	Having high ethical standards to know accounting and auditing.	0.835	0.000
KA1.9 <- Audit Quality	Trying to carry out field work in accordance with the standards of audit field work	0.773	0.000
KA1.10 <- Audit Quality	It is not easy to believe the client's statement during the audit	0.646	0.000
KA1.11 <- Audit Quality	Observe generally accepted auditing standards	0.865	0.000

Indicators	Statements	Loading Factor	P Values
KA1.12 <- Audit Quality	Comply with the applicable code of conduct	0.954	0.000
KA2.1 <- Audit Quality	Look for evidence that is relevant to the client's statement	0.924	0.000
KA2.2 <- Audit Quality	Being careful in making decisions during the audit.	0.822	0.000
KA2.3 <- Audit Quality	Comparing the audit results achieved with the predetermined standard results	0.745	0.000
KA2.4 <- Audit Quality	The audit report must contain the findings and conclusions of the audit results objectively.	0.821	0.000
KA2.5 <- Audit Quality	The reports produced are accurate, complete, and timely so that the information provided is maximally useful.	0.813	0.000